



Եվրոպայում անվտանգության և
համագործակցության կազմակերպություն
Երևանյան գրասենյակ



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Implementer

“Armenian Young Lawyers
Association

Partner

“Freedom of
Information Center of
Armenia” NGO
(FOICA)

Implementer

Foundation of Small
and Medium Business

FOUNDATION OF SMALL AND MEDIUM BUSINESS

“CONSOLIDATION OF SME COMMUNITY IN MONITORING ACTIVITIES AGAINST CORRUPTION OCCURRENCES”

GRANT PROGRAM

FINAL REPORT

“Foundation of Small and Medium Business” implemented “Consolidation of SME Community in Monitoring Activities against Corruption Occurrences” project with funds of small sub-grants provided in the framework of “Multi-Faceted Anti-Corruption Promotion” project implemented by the “Armenian Young Lawyers Association” NGO and the partner “Freedom of Information Center” NGO. Project budget is 1,270,000 AMD, of which 970,000 AMD was provided by the “Armenian Young Lawyers Association” Non Governmental Organization. Project duration: July 1 – September 30, 2015.

“Multi-Faceted Anti-Corruption Promotion” project is co-funded by the European Union and OSCE Yerevan Office.

I. The problem submitted in the terms of the project

As it is known, the inspection sector reforms have started since 2009 and their full and complete implementation will provide a chance to improve the procedures of public audits in the private companies and reduce corruption occurrences in that sector.

Overall, the inspection system in Armenia is characterized in this way; frequent, non-coordinated and inappropriate inspections, the inspectors' rude and disrespectful behavior, non-transparent inspection processes, and duplicate functions (the same object is being inspected multiple times by different inspectors). The responsibility and scope of inspection is not always clear. The culture of public administration, as well as in the inspection sectors is still focusing on ensuring the administrative power for enforcement of the established rules. The culture of considering the economic entity as a “client” is missing, which should be encouraged and supported in order to bring its activities in compliance with the set requirements. According to the experts, the relationship between entrepreneurs and inspectors causes serious problems in terms of corruption.

The private sector realizes the danger of corruption that hinders fair competition and prevents the development of free market. Corruption has much greater impact on small and medium businesses. The majority of Armenian small business owners do not want to get into a corrupt relationship but they have to tolerate the phenomenon as a necessary condition for business. At the same time it is clear that the entrepreneurs need support to resist corruption.

To ensure the continuity of the inspection reforms and establish effective and modern inspection system, the RA Government launched a project for optimization of inspection system and auditing, which aims to implement highly effective audits which will bring to the improvement of public services, reduction of corruption and the efficient use of public resources.

Business community awareness and active participation in the implementation of anti-corruption reforms are very important for the referral of inspection reforms, the provision of effective conversation and cooperation between the state and the business community.

On 1 July 2015 “Foundation of Small and Medium Business” launched the “Consolidation of SME Community in Monitoring Activities against Corruption Occurrences” project with funds of small sub-grants provided in the framework of “Multi-Faceted Anti-Corruption Promotion” project implemented by the “Armenian Young Lawyers Association” NGO and the partner “Freedom of

Information Center” NGO. Project budget is 1,270,000 AMD, of which 970,000 AMD was provided by the “Armenian Young Lawyers Association” Non Governmental Organization. Project duration: July 1 – September 30, 2015.

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Taking into account the above mentioned, “Foundation of Small and Medium Business” carried out a research in the scope of the project to identify the viewpoints of SME sector representatives about the procedure of inspection implementation and the corruption occurrences in the sector to assess objectively and represent appropriate recommendations for the future steps.

II. Project goals and objectives

The project aims to contribute to the strengthening the capacity of SME community of fight against corruption occurrences in the sphere of inspection audits, promoting its cohesion and highlighting the necessity to involve anti-corruption elements in the programs of inspection sector reforms. The main objectives of the project are;

- Examine the level of corruption occurrences in the inspection procedures in private sector.
- Increase the level of SME community awareness on the procedure of inspection reforms and their anti-corruption impacts.
- Organize discussions with the representatives of SME community for development of anti-corruption approaches and suggestions aimed at supporting inspection reforms.

III. Activities carried out in the scope of the project

Implementation of the surveys and analysis of the results. The survey planned in the framework of the project was aimed to identify and clarify the level of corruption in the field of inspection and the attitude of business community towards it. A special questionnaire, which included questions about problems and corruption risks existing in the system of inspection as well as expectations regarding the reforms aimed at reducing corruption, was developed and used in the interviews with the participants of the survey. The survey participants were asked to present their opinions on the efficiency of fight against corruption in the inspection field. The participants were provided opportunity of indicating multiple choice replies to some questions. The survey was carried out through interviews and with the focus-groups of 100 participants in Yerevan and Vayots Dzor

region, maintaining the principle of anonymity aimed to receive more impartial and objective answers.

The information collected in the scope of the survey underwent a thorough and comprehensive analysis that allowed to assess the shortcomings of the current system and its negative impact on the business community thereby testifying in favor of the imperative of reforms in the inspection system.

The analysis of the survey results allow identifying the sources of corruption risks in the field of inspection, difficulties and their nature associated with the presented requirements according to the business community. The summary of the survey results and complete analysis is presented in a separated report.

Round-table discussions and awareness. In the scope of the project FSMB organized round-table discussions with a number of SME representatives and business organizations. These discussions aimed at increasing the level of entrepreneurs' awareness on inspection reforms, as well as the consolidation of SME Community in monitoring activities against corruption occurrences. During the discussions, different views and positions on inspection reforms allowed the representatives of private sector to debate freely and openly on problematic issues and corruption occurrences in the field of inspection.

At the same time, the discussions provided the entrepreneurs current information on the anti-corruption projects and initiatives in the field of inspection reforms and knowledge that will enable them to act more effectively against corruption occurrences.

Round-table discussions were held in Yerevan, Lori and Vayots Dzor regions. In general, 50 SME representatives of private sector (20 in Yerevan, 16 in Lori region and 14 in Vayots Dzor) took part in the discussions.



Episodes of round-table discussions

IV. Project results and overall impact

The summary of the project results, its evaluation and analysis provided opportunity to get the overall picture of the impact of initiatives envisaged in the project and reflect it in this report in the format of achievements, challenges and lessons learned.

Project activities allowed implementing the main aims of the project and the issues aimed at increasing the awareness of the private sector and their more active involvement in the implementation of anti-corruption reforms in the field of inspection. In this regard, the main results of the project are;

- Study of the business society opinion on the anti-corruption reforms in the field of inspection through the questionnaire and analyses of its result.
- Raised the level of awareness of private sector on anti-corruption reforms in the field of inspection.
- The summary and categorization of the presented suggestions by SME sector on anti-corruption reforms in the field of inspection.

The correlation of the project results and achievements allows to assess the overall picture of the project impact according to its relevant activities.

The survey planned by the project provided opportunity to identify and clarify the level of corruption occurrences in the field of inspection and the attitude of business community towards it. The analysis of the survey results reveals the positive changes in the current inspection system,

as well as the key problems contributing to corruption occurrences and hindering the development of the SME sector. The analysis allow to understand how inspection reforms impact on the improvement of the business community and contribute to the reduction of corruption risks according to the business community. With the help of the survey FSMB was able to involve the SME community in the process of collecting factual data substantiating the necessity of inspection reforms based on the risks.

The round-table discussions organized in the scope of the project served as a stage for active discussions enabling the participants to express their views and opinions about the importance and effectiveness of inspection reforms. During the round-table discussions the entrepreneurs were able to identify the issues they faced in the inspection field. In this regard, round-tables stimulated the expression, discussion and development of anti-corruption approaches.

The project has also an impact of wide awareness enabling the business community and civil society to be informed of proposed amendments and reforms in the inspection system implemented in the country. Many representatives of the private sector had opportunity to make use of getting current information about inspection audits with the help of public awareness through program activities that helped them to organize their future activities in more prepared and informed way and avoid from being forced to involve in corruption.

Entrepreneurship has serious reasons and opportunities to confront corruption and in this regard the project was a good opportunity to assess and promote the capacity of Armenian SME sector against corruption occurrences in the field of inspection and consolidate small and medium business entities for the complete implementation of the procedure of inspection reforms by making that procedure participatory for the SME community.

V. Challenges emerged during the project implementation

Some difficulties emerged after the approval of the project connected with the implementation of project activities in Tavush Region. The governing body of the organization decided to implement the project activities in Lori region instead of Tavush region in order not to disrupt the process of the project and ensure its effective implementation.

In the course of project implementation, the representatives of private sector had a feeling of fear and mistrust, especially during the involvement of target groups in the regions, the reason of such

behavior was the low level of awareness and knowledge of the private sector and the absence of the sense of legal protection.

In this regard, the public organizations representing the private sector have serious work to do in the regions. The use of anonymity in the implementation of project activities provided opportunity to overcome psychological distress and fear of the public in the regions, promote active discussions and express opinions freely.

Gayane Poghosyan,

FSMB President

22 October, 2015